2021 Bank Access Report

Putting Banking to Work for Everyone

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American Bankers Association®

> **Becoming a part of the banking and financial system in the U.S. is a pathway into being a shareholder in the U.S. and having a vested interest not just in yourself, but also in the well-being in your community and the country as a whole.”**
>
> – FDIC Chairman Jelena McWilliams

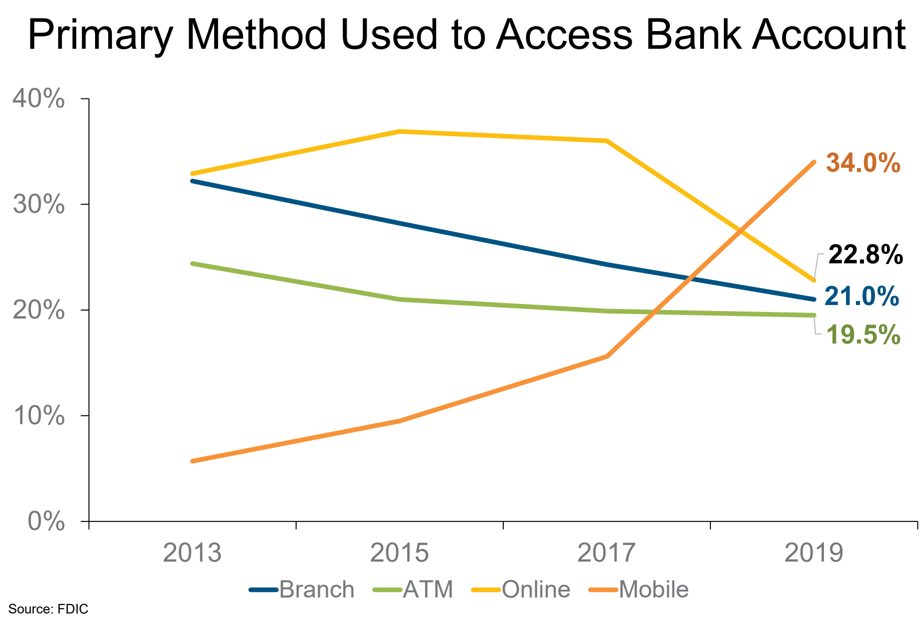
America’s 5,000 banks offer communities across the nation important products and services through, collectively, more than 83,000 branches and increasingly robust digital service channels. The nation’s banks play an important role in their communities, offering services that spur economic growth and opportunity. One important service is providing safe places for consumers, businesses, and government entities to store money. Money in the bank enables customers to safeguard savings and earn interest. Bank accounts also help customers track spending and manage their finances, and thus are a foundation for prosperity.

Banks have played this role for centuries, adapting to how their customers want to interact with them—whether through physical branches or, increasingly, through digital channels. Technological innovation is rapidly transforming the way Americans want to access financial services. An important strength of the banking industry is its ability to adapt to the changing needs of customers, responding to their customers’ increasing demand for digital access.

The vast majority of Americans, 94.6%, had a bank account in 2019, according to the FDIC’s biennial *How America Banks* report. However, more than 7 million households are completely unbanked—a figure that disproportionately includes low-income and minority individuals. America’s banks believe everyone should have access to the safety, convenience and benefits that come with a bank account. Sustainable economic opportunity requires a long-term banking relationship, and the banking industry aims to reach all Americans.

The way Americans bank is evolving

Americans increasingly rely on mobile channels to access banking services. According to the FDIC, even before the global health pandemic, more than a third (34%) of American households used mobile channels as their primary method of accessing bank accounts in 2019, up 18.4 percentage points (pp) from 2017. Most of the growth in mobile banking appeared to come from online banking, which fell from 36% in 2017 to 22.8% in 2019. Despite the decline, online banking was the second most common banking method used by U.S. households.

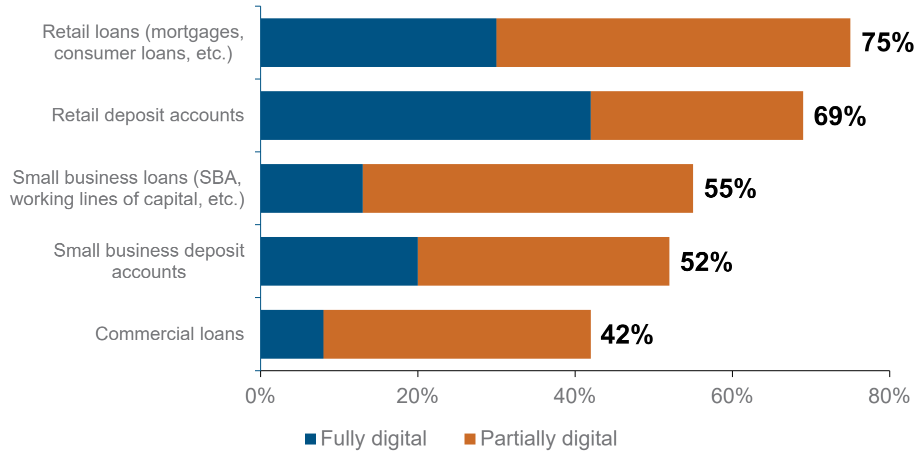


Mobile banking was the primary method used by customers 54 years or younger, at households that earned at least $30,000 per year, and across all ethnicities. Some demographic groups, such as rural households and those 55 years or older, were more likely to turn to online or branch channels. Nevertheless, mobile channel usage recorded double-digit percentage point increases across every demographic category except for customers 65 years or older (whose mobile usage increased 5.7 pp from 2017). These results line up with those of a survey conducted by Morning Consult on behalf of ABA in October 2020. Nearly three-quarters (72%) of those surveyed reported that they turned to mobile devices to conduct banking transactions in the prior month and 48% had done so frequently.

The banking industry has read this message loud and clear: 50% of respondents in the BankDirector 2020 Technology survey identified digital as the most critical delivery channel to their bank's growth strategy; 46% said that digital and branch channels were equally important. Banks have already invested in robust digital capabilities over the years. Nearly half of all banks offer full or partial digital access for retail and commercial customers to make deposits and/or apply for loans.

Banks Increasingly Digitize Offerings

Ability of retail and business customers to apply digitally for loans, make deposits:



Source: 2020 BankDirector Technology Survey

The industry continues to invest in innovation. The median 2020 technology budget for banks was $900,000, up from $750,000 in 2019. Improving the customer experience (81%) and online and mobile offerings (39%) were among the top three objectives driving banks' technology strategies.

97% of banks say the pandemic further accelerated mobile adoption among their customers.

The importance of digital access was further highlighted following the onset of the COVID-19 pandemic. Nearly all banks (97%) say the pandemic further accelerated mobile adoption among their customers. This aligns with the results of a Morning Consult/ABA national survey, which found that mobile and online banking adoption increased 3 pp each after the pandemic (to 39% and 32% respectively).

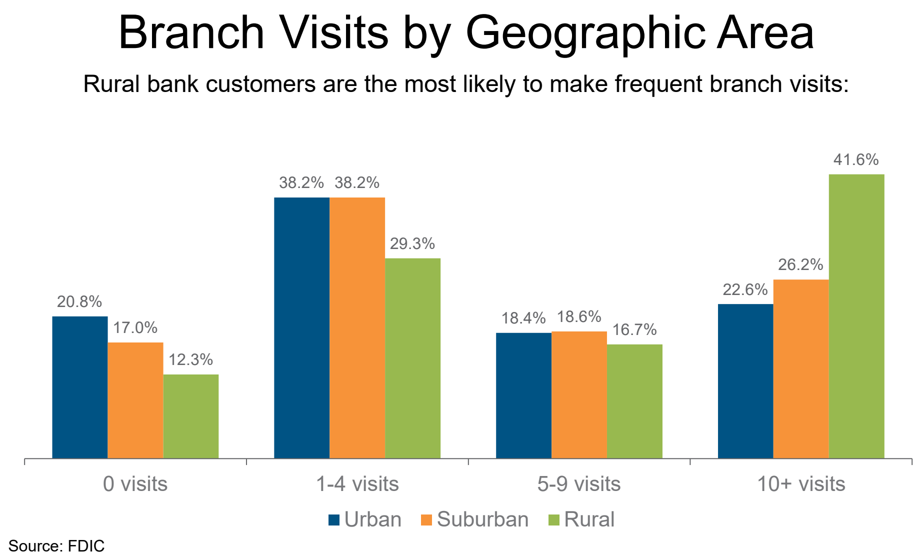
Nearly two-thirds (65%) of banks improved their technological capabilities in response to the pandemic. Among these, 70% developed application programming interface (APIs) specific to the Paycheck Protection Program (PPP); 39% developed customer-facing virtual technology or interactive teller machines; 35% enabled digital loan applications for consumer or business loans; and 32% enabled digital deposit account opening for retail and small business customers. More than half of banks also adjusted their technology roadmaps due to the pandemic. Of these, 74% plan to make further enhancements to mobile and online capabilities.

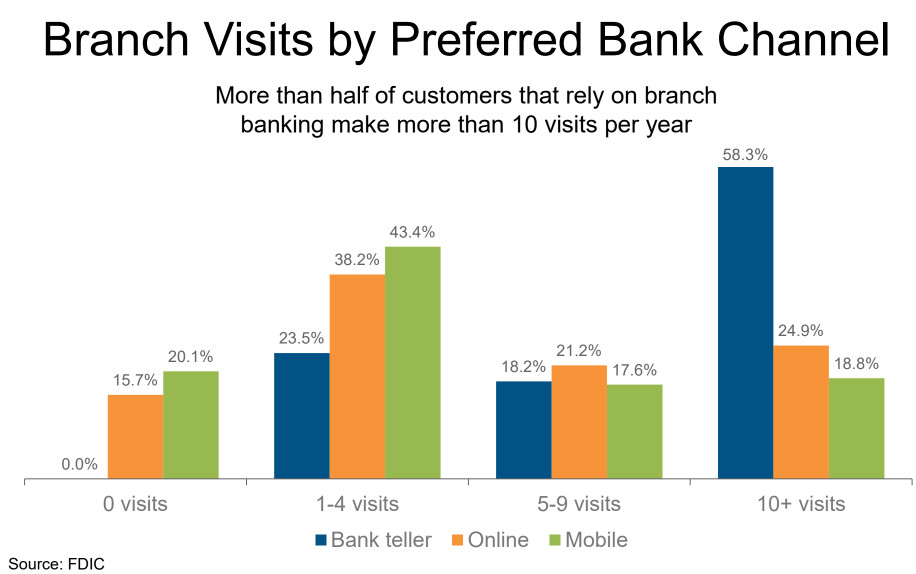
American households have recognized and appreciate bank investments in improving digital access. Nearly six in seven bank customers (83%) ranked their banks' online and mobile experience as "excellent" or "very good," according to the Morning Consult/ABA survey. That share rises to nearly 99% when including responses of "good." Eighty-four percent of Americans strongly or somewhat agree that innovation and technology improvements by banks are making it easier for all Americans to access financial services. Given the growth of digital and online tools, 91% of Americans surveyed said that overall access to banking services today is "good," "very good," or "excellent."

Bank branches are still important

While the share of customers that primarily bank via branch tellers has declined, physical branches still make up an important part of the bank-customer relationship. The 2019 FDIC *How America Banks* survey found that one in five customers still rely primarily on the industry's more than 83,000 bank branches, with usage most frequent among rural customers (37.8%), those earning less than $15,000 annually (35.9%), without a high school diploma (39.6%), and aged 65 years or older (39.2%).

More than four in five bank customers (83%) spoke with an employee in-person at a branch at least once in 2019 and more than a quarter did so 10 times or more. Even among those who primarily rely on mobile channels, 18.8% make more than 10 branch visits per year.





According to The 2020 Future Branches: Consumer Study from Coconut Software and WBR Insights, customers prefer visiting bank branches in-person to speak with staff (44%), resolve account issues (41%), discuss or apply for a loan (41%), access a safety deposit box (40%), and open or close their accounts (39%). Branches are particularly important for customers who either have limited internet access or have been slower to adopt new technologies. For example, the FDIC found that 14.8% of rural-banked households had neither smartphone access nor home internet access (as was the case for 7.2% of urban banked households and 5.8% of suburban banked households).

Bankers recognize the continued importance of branches to their business models. Nearly half of bankers (46%) said branch and digital were equally important delivery channels to their institution's future growth strategy, according to the 2020 BankDirector survey.

Banking services are widely available to consumers

With acceleration of online and mobile banking, there have never been more avenues for Americans to access financial services. An estimated 124.2 million households (94.6%) were "banked" in 2019, meaning at least one member had a checking or savings account, according to the FDIC. The vast majority of households also live in close proximity to a wide selection of bank branches—with the average American living within commuting distance[1] of 25 branch locations, according to ABA analysis.

Average Number of Bank Branches Near Geographic Center

by Census Tract

CRA Designation	10 Mile Radius	2 Mile Radius
Low Income	276	17
Urban	296	18
Mixed	71	5
Rural	9	0
Moderate Income	188	12
Urban	258	16
Mixed	36	3
Rural	4	0
Middle Income	112	7
Urban	235	15
Mixed	34	2
Rural	6	0
Upper Income	189	16
Urban	300	27
Mixed	62	3
Rural	10	0

1 Commuting distance of a branch is defined by ABA as a branch within a two-mile radius of the geographic center of urban census tracts and within a 10-mile radius of the geographic center of rural or mixed tracts.

Banks serve urban, rural, and suburban neighborhoods of all income levels. The average low income census tract in the U.S. has 17 branches within a two-mile radius and 276 branches within 10 miles. Low-income neighborhoods have proportionally more bank branches than the national average, proportionally more than moderate- and middle-income neighborhoods, but fewer than upper-income neighborhoods. These trends are the same for urban, rural, and mixed, with low- and upper-income neighborhoods in close proximity to slightly more branches, while moderate- and middle-income neighborhoods remain well served and proportionally similar in branch proximity.

There is also some variability across demographic groups.[2] On average, Hispanic and Black Americans are within commuting distance of 23 and 21 bank branches respectively, White Americans are near 26, and Asian Americans are near 36 bank branches.

While determining the cause of this variability is beyond the scope of this report,[3] population density appears to be an important factor. For instance, Asian Americans are the most likely to reside in a densely populated urban area—with 80% living in urban census tracts and only 0.9% in rural tracts—leading to a higher branch-proximity estimate. Despite small differences across demographic groups, the average American enjoys close proximity to a wide selection of bank branches.

Average Branches within Commuting Distance

by Population Density Decile

Decile	Avg population per sq mi	Avg branches within 10 mi radius	Avg branches within 2 mi radius
10	218,950*	657	47
9	11,059	238	16
8	6,373	175	13
7	4,455	148	11
6	3,170	126	10
5	2,141	100	7
4	1,213	68	4
3	506	37	1
2	145	16	0
1	38	23	1

* median population per square mile for the 10th decile is 20,592

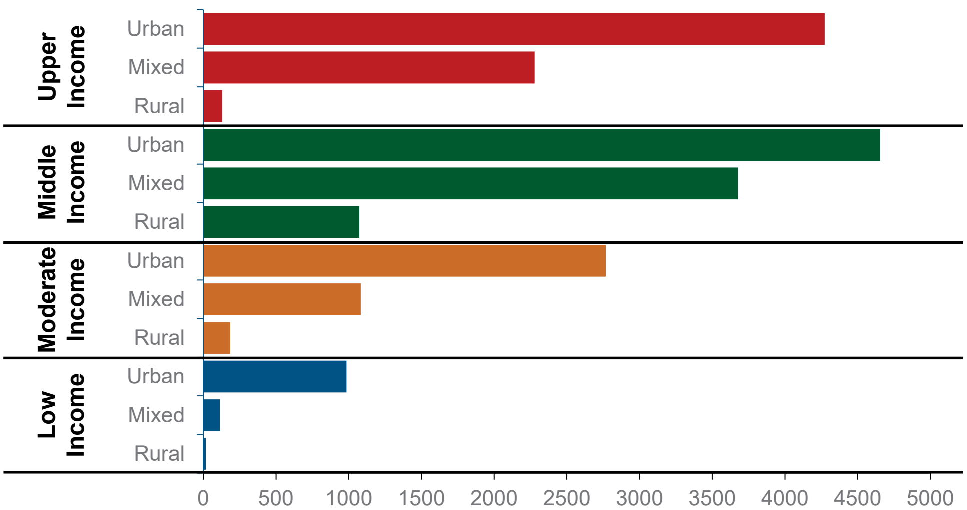
2 Population density and demographic analysis is based on estimates derived from the 2010 United States Census.

3 The methodology used in this report is intended to provide a benchmark for access among demographic groups but has some limitations. For example, the variability of census tract shapes and geographic size and location can overstate or understate branch access for neighborhoods—especially for mixed census tracts in close proximity to urban areas and for large, highly rural census tracts where the population is not distributed evenly across the geography. The methodology also does not account for significant variation in zoning requirements between census tracts.

Branch closures concentrated in wealthier saturated markets

Banks have begun to shift branch strategies in response to technological, economic, and demographic changes—including closing branches in saturated markets. These shifts, though, have not come at the expense of access for bank customers. For example, while branch closures have outpaced branch openings over the past several years, they have largely been concentrated in saturated, upper- and middle-income (primarily urban) markets where branch access is widespread. More than three-quarters (76%) of bank branch closings have occurred in middle- and upper-income census tracts and nearly 94% have been in urban or suburban areas. From 2013 to 2020, the average closed bank branch had 18 branches operating within a two-mile radius and 159 branches within a 10-mile radius.[4]

Branch Closings by Tract Location and Income 2013–2020



Concerns about the impact of branch closures are most acute in low-income, rural, and diverse communities. However, fewer closures have recently taken place in low-income and rural census tracts. Low-income branch closings, for instance, represent only 5% of all closures since 2013 and only 0.5% of these have occurred in rural areas. In fact, 99% of all low-income census tracts are within commuting distance[2] of a branch and, between 2013 and 2020,[3] only five bank branches closed in rural low-income census tracts.

With respect to diverse communities, a proportional share of branch closures have taken place in these neighborhoods compared to their representation in the population. A little more than a third (33.7%) of census tracts are considered "majority-minority" by the Federal Financial Institution Examination Council (FFIEC) and from 2013 to 2020, 27% of net branch closures occurred in these neighborhoods.

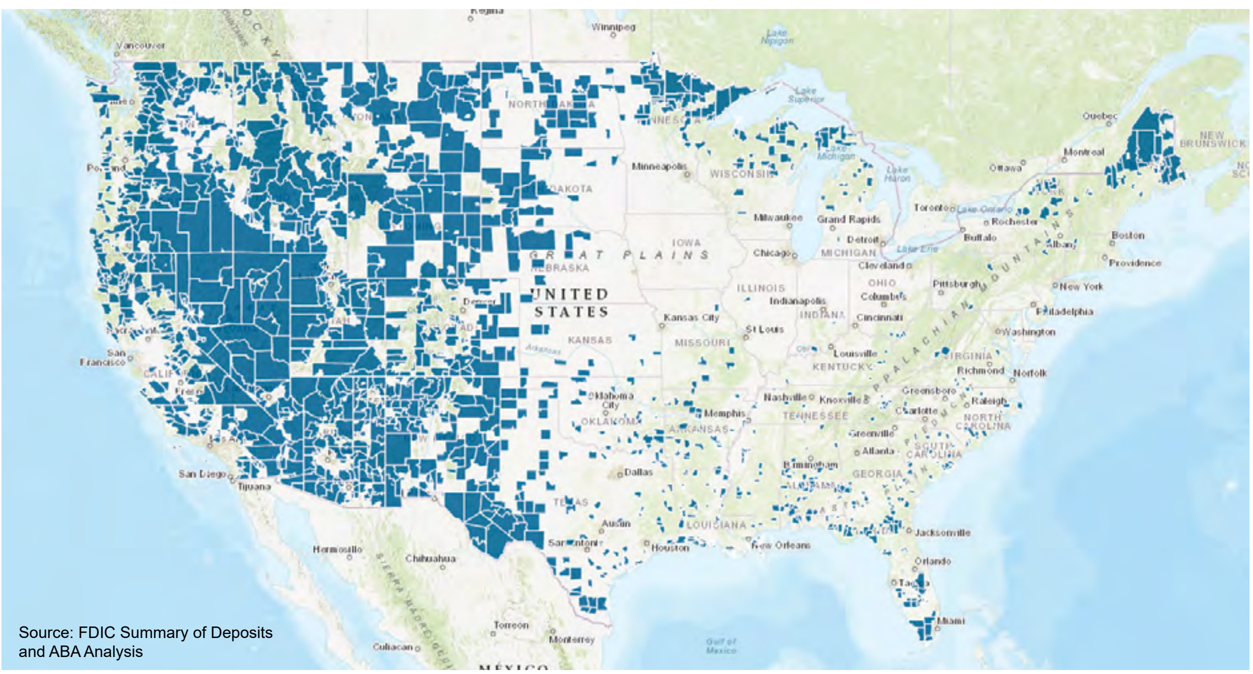
[4] 2013 represents the earliest available CRA designation data for census tracts via S&P Global Market Intelligence

While proximity to branches paints an incomplete picture of access to banking services, many communities value a physical presence. The banking industry is committed to ensuring their branches reflect the communities they serve so customers feel welcomed and understood.

“Banking deserts” are in actual deserts

Nearly all households have access to financial services, but some communities face more challenges than others. A small population of Americans live in highly rural areas outside of a certain radius of bank branches. These areas, commonly referred to as “banking deserts,” have been a frequent focus of policymakers who hope to expand banking access to vulnerable populations.

The [Federal Reserve has defined banking deserts]() as a census tract where the geographical center is 10 miles or more away from a bank branch. Almost all banking deserts are found in extremely rural areas with very low population densities. In fact, many banking deserts are in actual deserts, as the same Fed economists who coined the term noted.



Source: FDIC Summary of Deposits and ABA Analysis

Banking deserts are primarily found in very low-population areas, especially in the West. These regions are the least densely populated communities in the U.S., with the median banking desert containing only 7.6 people per square mile. Despite representing 1.8 million square miles (almost half of the total landmass in the U.S.) they contain only 1.7% of the population. For perspective, about a quarter of banking deserts lie in census tracts that are geographically larger than the state of Rhode Island yet contain a median of just 3,000 people.

All but one banking desert are rural or mixed, with the only urban banking desert located along the coast in Ventura County, California. Most banking deserts are in areas classified as upper- and middle-income, as well as 78% White. In fact, only eight out of the nearly 6,000 low-income census tracts are located in banking deserts. Financial product usage in banking deserts does not differ significantly from other rural areas.

While some vulnerable households reside in banking deserts, banking deserts constitute a very small and unrepresentative share of the U.S. population. Only 0.7% of Black Americans, 0.2% of Asian Americans, and 1.2% of Hispanic Americans reside in banking deserts. Banking deserts comprise only 0.3% of the population residing in low-income neighborhoods.

While banking deserts are an ineffective benchmark for measuring the branch access of diverse and vulnerable populations, the banking industry recognizes the importance of ensuring continued service and expanding access in extremely rural areas, a particularly promising avenue for digital channels.

Banks continue to make strides to reach unbanked Americans

Nearly all Americans live close to multiple bank branches, and innovation within the industry allows bank access from the palms of their hands. And yet, too many households operate outside the banking system. Approximately 5.4% of U.S. households, 7.1 million, were "unbanked" in 2019, meaning they had neither a checking nor savings account, according to the FDIC. Although this is the lowest level of unbanked measured since the first report in 2009, America's banks continue to make strides to reach the unbanked.

Unbanked rates vary across regions and between demographic groups. In 2019, the unbanked rates were higher among Black, Hispanic, low-income, working-age disabled and less-educated households, as well as those in the South, despite steady progress in these segments: between 2011 and 2019, for example, the unbanked rate for Black and Hispanic households declined by 7.6 and 7.9 pp, respectively. However, more progress is needed, as both groups remain unbanked at much higher rates than either Asian or White Americans.

Many unbanked households turn to alternative financial service providers (e.g., check-cashing, payday lenders, pawnshops, auto title lenders) to meet their needs, but it comes at a cost. NerdWallet estimates that being unbanked can cost $196.50 per year for those who use prepaid debit cards with direct deposit and can cost nearly $500 per year without direct deposit. The cost of being unbanked was especially pronounced this year, as Americans without access to a direct deposit relationship were last in line to receive economic impact payments and were likewise disadvantaged in gaining access to Paycheck Protection Program loans.

Alternative providers are disproportionately located in low-income neighborhoods and communities of color, according to a paper from the Urban Institute and FannieMae Foundation.

However, these "neighborhoods often contain both banks and alternative providers, casting doubt on the [hypothesis] that alternative providers fill a supply vacuum." Moreover, banks are often in close proximity to alternative providers (no more than seven city blocks away according to the paper), which suggests that unbanked consumers have physical access to banks but are turning to alternate providers for other reasons.

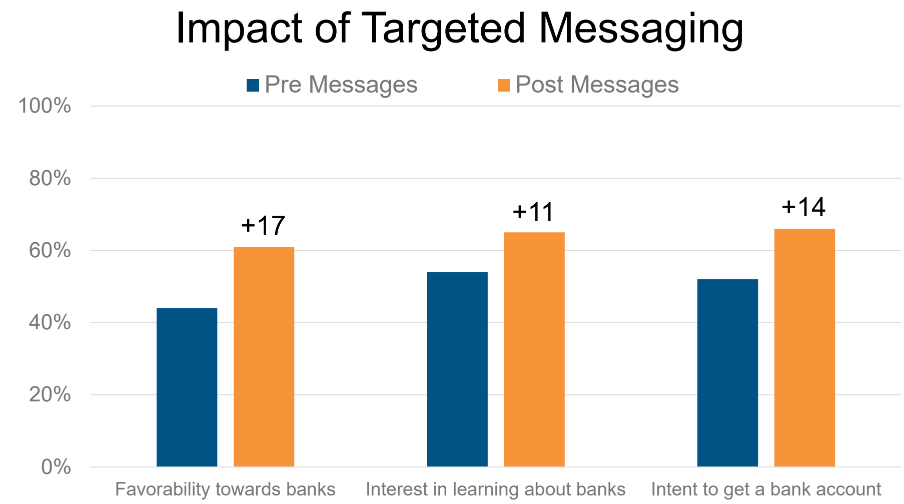
Unbanked households cited a number of reasons for not having a bank account in 2019, including both structural and motivational barriers. The most common reason (48.9%) cited was having too little funds to meet minimum balance requirements and more than a third reported that they either do not trust banks (36.3%), avoid banks for privacy reasons (36.0%), or think account fees are excessive (34.2%). More than half of unbanked households (56.2%) reported that they were not at all interested in having bank accounts; nearly a quarter (24.8%) reported that they were very or somewhat interested.

The private sector has taken steps to address these structural and motivational challenges. To expand access to banking services, the Cities for Financial Empowerment Fund (CFE) developed the Bank On initiative for certified deposit accounts. Bank On certified accounts are designed to address the structural challenges facing unbanked households with features including low costs, online bill pay, no overdraft fees, and transaction capabilities, such as a debit or prepaid cards.

As of May 2021, 88 financial institutions with more than 32,000 branches nationwide offered a Bank On certified account. In its 2019 Bank On National Data Hub report, the St. Louis Fed noted that "the demand and use of Bank On accounts is strong and continues to grow," with more than 3.4 million accounts opened to date across just 10 reporting institutions. Early findings indicate the initiative has already made headway reaching unbanked households, as 75% of Bank On accounts have been opened by new customers.

To build on this progress, ABA partnered with the CFE Fund in October 2020 to urge every bank in the country to offer a Bank On certified account. Many banks may already offer accounts that meet the Bank On standards but do not realize they qualify for certification. Since the announcement, 32 new institutions have been certified, nearly 65 are actively pursuing certification, and hundreds more have requested more information. Additionally, 20 core processing companies (including Fiserv, FIS, Jack Henry, and Finastra), which provide the operational systems within many banks, have committed to making it easier for community banks to develop and offer these accounts.

While Bank On accounts address many of the structural challenges facing unbanked households, focused messaging and outreach can help address motivational challenges as well. The CFE Fund conducted focus groups and surveys to help home in on messages that resonate the most with unbanked populations in its 2019 *Making the Case for Banking Access* report. They found that tailored messaging and education can help move the needle with unbanked households.



Source: Cities for Financial Empowerment Fund

While respondents tended to have negative perceptions about banks, two-thirds became interested in getting an account after learning how one can help them increase savings, pay down debt, and build emergency funds. After exposure to tailored messaging, the report found favorability towards banks increased 17 pp, interest in learning about banks increased 11 pp, and intent to get a bank account increased 14 pp. Newly expanded federal Child Tax Credit advance payments, which were included in the American Rescue Plan passed by Congress in March 2021, represent an important opportunity to encourage unbanked households to become banked and receive monthly payments by direct deposit. America's banks are committed to working with government and nonprofit partners to encourage recipients to consider a Bank On certified account at a bank in their community.

Conclusion

Banks have built the foundation for Americans to have consistent, simple, and secure access to financial services. Today, bank branches are easily accessible to nearly all Americans and households can bank from anywhere via online or mobile channels.

While the vast majority of Americans are already making use of these services, more than 7 million households remain outside the banking system without a deposit account. America's banks believe everyone should have access to the banking system and the safety, convenience and other benefits that come with a bank account. As an industry, we will continue to look for new and innovative ways to reach those without access to traditional financial services. When safe, affordable, and accessible financial products and services are readily available, families, communities, and the economy can prosper.